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**Introduced by Senator Cedillo**February 21, 2003

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An act to amend Section 1351.2 of the Health and Safety Code, relating to health care service plans.

## LEGISLATIVE COUNSEL'S DIGEST

SB 798, as introduced, Cedillo. Mexican health plans.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the regulation of health care service plans by the Director of the Department of Managed Health Care. Existing law requires a health care service plan licensed under the laws of Mexico that elects to operate a health care service plan in this state to apply for licensure and comply with the act and applicable rules adopted by the director.

This bill would require the director to develop a procedure to keep the department informed regarding the status of a health care service plan licensed under the laws of Mexico. The bill would require, if the plan ceases to operate lawfully in Mexico, the department to revoke the license of a Mexican health care service plan and to take all authorized and necessary actions to protect the health care coverage of enrollees.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 1351.2 of the Health and Safety Code
- 2 is amended to read:
- 3 1351.2. (a) If a health care service plan licensed under the
- 4 laws of Mexico elects to operate a health care service plan in this
- 5 state, the plan shall apply for licensure as a health care service plan



1 under this chapter by filing an application for licensure in the form  
2 prescribed by the department and verified by an authorized  
3 representative of the applicant. The plan shall be subject to the  
4 provisions of this chapter, and the rules adopted by the director  
5 thereunder, as determined by the director to be applicable. The  
6 application shall be accompanied by the fee prescribed by  
7 subdivision (a) of Section 1356 and shall demonstrate compliance  
8 with the following requirements:

9 (1) The plan is operating lawfully under the laws of Mexico.  
10 *The director shall develop a procedure by which the department is*  
11 *kept informed as to the status of the plan's operation in Mexico. If*  
12 *the plan ceases to operate lawfully in Mexico, the plan's license*  
13 *under this chapter shall be revoked and the department shall take*  
14 *all authorized action under this chapter to protect the health care*  
15 *coverage of the plan's enrollees.*

16 (2) The plan offers and sells in this state only  
17 employer-sponsored group plan contracts exclusively for the  
18 benefit of citizens of Mexico legally employed in this state, and for  
19 the benefit of their dependents regardless of nationality, that pay  
20 for, reimburse the cost of, or arrange for the provision or delivery  
21 of health care services that are to be provided or delivered wholly  
22 in Mexico, except for the provision or delivery of those health care  
23 services set forth in subparagraphs (A) and (B) of paragraph (4).

24 (3) Solicitation of plan contracts in this state is made only  
25 through insurance brokers and agents licensed in this state or a  
26 third-party administrator licensed in this state, each of which is  
27 authorized by the plan to offer and sell plan group contracts.

28 (4) Group contracts provide, through a contract of insurance  
29 between the plan and an insurer admitted in this state, for the  
30 reimbursement of emergency and urgent care services provided  
31 out of area as required by subdivision (h) of Section 1345.

32 (5) All advertising, solicitation material, disclosure statements,  
33 evidences of coverage, and contracts are in compliance with the  
34 appropriate provisions of this chapter and the rules or orders of the  
35 director. The director shall require that each of these documents  
36 contain a legend in 10-point type, in both English and Spanish,  
37 declaring that the health care service plan contract provided by the  
38 plan may be limited as to benefits, rights, and remedies under state  
39 and federal law.

1 (6) All funds received by the plan from a subscriber are  
2 deposited in an account of a bank organized under the laws of this  
3 state or in an account of a national bank located in this state.

4 (7) The plan maintains a tangible net equity as required by this  
5 chapter and the rules of the director, as calculated under United  
6 States generally accepted accounting principles, in the amount of  
7 a least one million dollars (\$1,000,000). In lieu of an amount in  
8 excess of the minimum tangible net equity of one million dollars  
9 (\$1,000,000), the plan may demonstrate a reasonable acceptable  
10 alternative reimbursement arrangement that the director may in his  
11 or her discretion accept. The plan shall also maintain a fidelity  
12 bond and a surety bond as required by Section 1376 and the rules  
13 of the director.

14 (8) The plan agrees to make all of its books and records,  
15 including the books and records of health care providers in  
16 Mexico, available to the director in the form and at the time and  
17 place requested by the director. Books and records shall be made  
18 available to the director no later than 24 hours from the date of the  
19 request.

20 (9) The plan files a consent to service of process with the  
21 director and agrees to be subject to the laws of this state and the  
22 United States in any investigation, examination, dispute, or other  
23 matter arising from the advertising, solicitation, or offer and sale  
24 of a plan contract, or the management or provision of health care  
25 services in this state or throughout the United States. The plan shall  
26 agree to notify the director, immediately and in no case later than  
27 one business day, if it is subject to any investigation, examination,  
28 or administrative or legal action relating to the plan or the  
29 operations of the plan initiated by the government of Mexico or the  
30 government of any state of Mexico against the plan or any officer,  
31 director, security holder, or contractor owning 10 percent or more  
32 of the securities of the plan. The plan shall agree that in the event  
33 of conflict of laws in any action arising out of the license, the laws  
34 of California and the United States shall apply.

35 (10) The plan agrees that disputes arising from the group  
36 contracts involving group contract holders and providers of health  
37 care services in the United States shall be subject to the jurisdiction  
38 of the courts of this state and the United States.

39 (b) The plan shall pay the application processing fee and other  
40 fees and assessments set forth in Section 1356. The director, by

- 1 order, may designate provisions of this chapter and rules adopted
- 2 thereunder that need not be applied to a health care service plan
- 3 licensed under the laws of Mexico when consistent with the intent
- 4 and purpose of this chapter, and in the public interest.

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